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12 February 1986

Talking Points for the ADDI

Are The Allies' Filling In for US Firms Departing Libya?

Most of our Allies have expressed some sympathy for the US request not to fill in for departing US companies and many -- including all of the major countries -- have publicly discouraged their firms from taking over US business. But only three of the Allies -- Italy, Canada and West Germany -- have gone beyond moral suasion, and even these countries have left the door open for most of their private firms to expand business with Libya. [redacted]

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- o Italy has taken the strongest action, banning public firms from filling-in and pressuring private firms to go along. [redacted]
- o Canada and West Germany also have taken some tangible steps. Ottawa has cancelled export insurance for business with Libya and has banned the sale of some oil and gas equipment; Bonn will provide export credit guarantees only to firms that declare they are not filling-in. [redacted]
- o Japan, the United Kingdom, France, The Netherlands, Belgium, Norway and Luxembourg are merely advising their firms not to fill in for departing US companies. [redacted]
- o Denmark, Iceland, Spain, Portugal, Greece and Turkey have essentially done nothing. [redacted]

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Allied efforts to discourage filling-in are having some positive results, but some foreign firms are nonetheless moving in on previous US business. Evidence on filling-in is sketchy, at best, and in most instances, it is difficult to determine whether a specific company activity is an effort to undercut sanctions or part of a longer-term business relationship that the firm has chosen to continue. [redacted]

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o The Canadian firm Roper and Associates has decided not to recruit workers for Libyan oil fields. [REDACTED]

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o Rome admits it has little control over smaller Italian firms who may be eager to do business with Libya. [REDACTED]

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o A Belgian trade delegation went ahead with a visit to Libya, although several large firms withdrew because of pressure from Brussels. [REDACTED]

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The limited support provided by the Allies could soon collapse, if Washington does not clarify its approach to sanctions. In an effort to keep Libya from getting billions of dollars of US oil company assets, the US has granted at least five companies a temporary exemption from the sanctions, and they are continuing to operate in Libya. [REDACTED]

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[REDACTED] Finally, US sanctions specifically avoid extraterritorial actions, hence US companies apparently can continue to operate in Libya through foreign subsidiaries. Given the uneven application of sanctions, the Allies may begin to question Washington's commitment to ending all business dealings with Libya. The US Embassy in Paris has already reported mounting French criticism over US sanctions exemptions. [REDACTED]

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SUBJECT: Are the Allies Filling In for US Firms Departing Libya?

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